

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7259**

**BILL NUMBER:** HB 1229

**DATE PREPARED:** Jan 4, 2002

**BILL AMENDED:**

**SUBJECT:** Union County CAGIT and Innkeeper's Tax.

**FISCAL ANALYST:** Chris Baker

**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill has the following provisions:

(A) Authorizes Union County to impose an additional County Adjusted Gross Income Tax (CAGIT) rate of 0.25% for a period of five years.

(B) Authorizes Union County to impose an Innkeeper's Tax.

(C) Requires the additional CAGIT revenue to be used for renovations to the county courthouse.

(D) Provides that, before January 1, 2007, the Innkeeper's Tax must be used for renovations to the county courthouse. It also provides that, after December 31, 2006, the Innkeeper's Tax must be used for the promotion of conventions, visitors, and tourism.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (B) & (D) The impact of this proposal depends on local action. Under the bill, either the state or the county may administer the tax. If the state administers the tax, the cost to the Department of State Revenue (DOR) was reported at \$0.48 for each \$100 collected in tax year 2000. The cost covers administration, audit, and collection expenses. Any additional costs associated with this proposal would be covered by DOR's current appropriation.

*Class D Felony:* Under the bill, a member of the Union County Tourism Commission knowingly transferring or a person knowingly receiving money from the Innkeeper's Tax for purposes not allowed by the bill commits a Class D Felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to a Class A misdemeanor depending upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$22,131 in FY 2000. Individual facility expenditures

ranged from \$16,442 to \$40,312. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

**Explanation of State Revenues: (B) & (D) Class D Felony:** If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class D felony is \$10,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures: (A) & (C)** In accordance with the provisions of this bill, revenue from the additional tax rate increase of 0.25% to CAGIT may be used to pay for the cost of renovating the Union County Courthouse. The revenue generated by the rate increase would not be considered by the Department of Local Government Finance for civil unit property tax purposes, including determination of the maximum levy for Union County.

**(B) & (D) Class D Felony:** If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. The average cost per day is approximately \$44.

**Explanation of Local Revenues: (A) & (C)** Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75%, or 1%. (Union County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Union County would be allowed to increase the CAGIT rate by 0.25%. Revenue generated by the 0.25% increase must be used for the renovation of the county courthouse.

The CY 2002 CAGIT certified distribution at a 1% rate for Union County is \$1,525,493. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the County Economic Development Income Tax (CEDIT) for Union County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Union County to be 1.5%. (Union County has adopted CEDIT at a 0.25% rate. The CY 2002 CEDIT certified distribution for Union County is \$418,084.)

*It is estimated that an additional 0.25% Union County CAGIT tax increase would equal approximately \$380,000 in additional revenue for the entire year.*

The bill allows the county council of Union County to adopt an ordinance to increase its CAGIT rate before June 1, 2002.

**Background:** Under current Indiana law, a county must adopt an increase in its CAGIT rate by April 1 of a given year. In July of that year, the State Budget Agency will calculate a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

**(B) & (D)** Currently, Union County does not collect the Innkeeper's Tax. Projected collections for the next three calendar years are based on estimates from CY 1999 State Gross Retail Tax data from the Department of State Revenue. Sales Tax growth rates were used from the Revenue Technical Committee's November 14, 2001, revenue forecast. It is assumed that a 6% rate would be implemented by July 2002 with revenues

collected only for the last quarter of CY 2002. (Complete calendar year revenue would begin in CY 2003.)

As this bill is effective upon passage, Union County may be able to implement the Innkeeper's Tax earlier and receive up to two quarters of revenue in CY 2002 (\$1,130). CY 2003 revenue is estimated at \$2,270, and CY 2004 revenue is estimated at \$2,280. Revenues generated from this tax will be deposited into the Union County general fund before January 1, 2007, for renovation costs to the county courthouse. After December 31, 2006, the revenue generated by the Innkeeper's Tax would be deposited into the Convention, Visitor, and Tourism Promotion Fund established by the county treasurer.

*Background:* The U.S. Census Bureau reports in the *1997 Economic Census*, that Union County had two accommodation facilities under NAICS code 721. The Union County Economic Development Corporation currently reports five taxpayers with accommodation facilities within Union County (one motel, three bed and breakfasts, and one cabin facility).

*Class D Felony:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

**State Agencies Affected:** State Budget Agency; Department of State Revenue; Department of Correction.

**Local Agencies Affected:** Union County.

**Information Sources:** State Budget Agency; U.S. Bureau of the Census; Department of State Revenue; State of Indiana *Revenue Forecast Methodology* 12/15/99, 4/12/01, 11/14/01; Union County Economic Development Corporation website: <http://www.unioncountyin.com> ; Indiana Sheriffs Association; Department of Correction.